

Economics vis-à-vis Politics of Venezuela under the Chavez Regime 1998-2012

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Abstract

In today's world most of the countries are following the market rule to determine their economic determinants with some to follow the mixed role of the government. There are a very few countries or states that are following the socialistic nature of development. One such country is Venezuela which has a long history of socialism and the degree of socialism got magnified under the regime of Hugo Chavez. The last election result in favour of Chavez has put some questions before the economists and politicians regarding its grounds. The present study has been framed in line with examining whether the role of economic factors have done the trick for Chavez to regain the presidential power. The study for the period of 1998-2010 has observed that the country has suffered in major economic factors compared to two Latin heroes Brazil and Argentina, albeit he has won the election. The study further observed that there are certain political grounds that played role for the favourable verdict.

Key Words: Growth; Inflation; Unemployment; Interest; Debt Ratio; FDI inflow; Life Expectancy; Governance; NED Grants

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1. Introduction

On 7th October 2012 the entire world witnessed another socialistic nature of ruling that happened for the Venezuelan state where Hugo Chavez retained his dynasty for another six years term up to the year 2018 making a record of 20 years of power as decider, rather dictator, of the state economies, political and social variables. Although the margin of victory for Chavez against democratic Henrique Capriles has been reduced by a significant margin the winning president threw his fist in the air before the thousands of supporters in the roads of Caracas terming this election result as a victory of socialism over the neo liberalism that was a signal of protest to the USA and its allies who tried for long through different channels to campaign against Chavez. The newly elected president made his commitment to lead to his country into a new dimension of socialism which he named as 21st Century Socialism that will promote growth and development of the country under the control of the state in a new fashion. Like that of China who is following market socialism where the ruling of liberal economy has been allowed for a few years under the strong control by the state authority. China has made considerable growth rates of its production of goods and services amid the turmoil in the so called developed nations where the economies have been run by mode of free market operation. The country has gained huge foreign currencies in terms of huge flow of FDI from different developed nations.

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Chavez, the 21st Century hero of socialism, has proved yet another time that the motto of the government 'by the people, of the people and for the people' should be the ethics of a relation between the government and its people. No other outside control, in the name of liberalism, is desired to justify such relation between the government and the people. The opponent democratic leader Capriles has made the comment that this is the beginning of the end of the dynasty of Chavez and he was not upset by the election result due to the fact that in near future the same Venezuelan people will vote for the neo liberalism as the victory of margin had been narrowed by 26 per cent from 2006. The supporters of Capriles were disappointed by the result and some of the supporters were found crying in the roads of Caracas and in different zones of USA as that they have to tolerate for another 6 years of misruling and dictatorship by the president.

2. Literature Review

Development of oil sector has important contribution in the economy of Venezuela. The country became more prosperous and developed than its more economically distressed neighbors in Latin America. Venezuela attracted attention of the scholars since its transition to democracy in 1958 to the deepening political crisis in the mid-1990s. With a resilient two-party political system, Venezuela was seen as a model of democratic stability. In a sense, this made much of Venezuela's internal dynamics of little interest to policy analysts and academics; throughout the 1960s and 1970s, for example, there were virtually no serious studies of Venezuela's armed forces, which reflected the presumption that the military would remain uninvolved in political affairs. In 1998, the nature of the Venezuelan state and society changed dramatically with the election of Hugo Chávez as president. Since then, Chávez has overseen a number of important changes both within Venezuela itself and in its foreign policy, particularly toward the United States. During Chávez's more than 12 years in office, Venezuela has overhauled its constitution and political system, and in so doing, has concentrated power in the president, mobilized a poor constituency, and pursued alliances in Latin America and the world to stand up to Washington. Chávez is an evolving phenomenon and has aroused considerable curiosity and strong passions across the political spectrum.

During the electoral campaign of 1998, Hugo Chávez campaigned on an anti-corruption, anti-neo-liberal, anti-political establishment discourse that called for the transformation of the political system and the Constitution. The promise for a Constituent Assembly provided the focal point of Chavez's electoral pledge. Growing levels of poverty and the policy switch to a neo-liberal agenda. The rise of Chavez owes much to the effectiveness of his radical anti-political party, anti-corruption and anti-oligarchy discourse. The rise of this radical anti-party politics has generated several important tendencies that have weakened the capacity of the state to revive economic growth. The radical nature of the political discourse has led to a growing polarization of politics. The period 2002-2003 saw numerous massive street demonstrations both supporting and resisting the Chavez administration, highlighted by a two-month national strike, which included the nearly complete shutdown of the oil industry. Relations between the state and big business have been more antagonistic than in any time in the democratic era.

The nature of populist clientelism changes gradually after 1973. Several political observers note that the very consolidation of the regime, the defeat of the guerrilla movement and thus the decline in threats to the regime reduced the urgency for reaching consensus in the pact-making process (Rey 1991; Levine and Kornblith 1995; Levine and Crisp 1995). The growing importance of fictions and factionalism between and within political parties is well documented in Venezuela in the period 1968 until the mid-1990's (Coppedge 1994). Political observers analyzed and argued that the increase in political factionalism was accompanied by an increase in whistle-blowing and the use of the corruption scandal in the 1980's and 1990's as a weapon of political competition (Capriles, 1991; Pérez Perdomo, 1995; Karl, 1997). The sub-period period 1993-1998 represents a decline in the two-party hegemony as economic decline and the divisiveness of economic liberalization lead to dissatisfaction with the two main parties. Several factors led to this. Dramatic policy switches have been shown to be a de-stabilising event for fragile democracies (Stokes, 1999). The decision of Perez, leader of AD, to implement neo-liberal reforms through the use of non-party technocrats was detrimental in several ways. Perez's party-neglecting strategy (Corrales, 2002) accentuated factionalism within AD.

To have better knowledge about the recent position of the state of Venezuela with respect to its economic, political and social factors we have to acknowledge the contributions of different researchers in developing the literature. Edwards (2008) discussed the economic history of Latin America and analyzed the region's evolution from protectionism and import substitution industrialization in the 1940s, to the market oriented reforms of the 1990s and early 2000s. It has been addressed in the working paper that in the last few years there has been a growing anti

globalization and anti market-oriented reforms in the region. This growing skepticism on the merits of market orientation has been translated into different policies in different countries: in some – Venezuela, Bolivia, Ecuador, and Nicaragua this skepticism has resulted in the stalling of the reform effort. Indeed, in most Latin American countries there has been very little progress in the reform front in the recent past. This is true with regard to both competition policies and institutional strengthening and reforms. The report further argued that the anti reform sentiment was mostly the result of the public's disappointment with the reforms. This disappointment, in turn, was largely the consequence of the deep and very costly macroeconomic and currency crises that affected a large number of countries in the 1990s and 2000s. The policies that have been taken in the eighties of Latin America were mostly populist with a detrimental long run effect (Dornbush and Edwards, 1991). Because of the popular policy of income distribution, Peru under the leadership of President Alan García the fiscal deficit ballooned, and money was printed at increasingly rapid rates by the Central Bank. At the same time, and in an effort to quell inflation, prices were tightly controlled at artificial levels that further resulted in rising unemployment and negative growth rates of income. By the mid and late 1980s inflation was out of control in countries as diverse as Argentina, Bolivia, Brazil, Peru, and Uruguay. As it has always been the case, the poor were the ones that suffered the most. In the Latin American context, Venezuela has also maintained among the least inequitable distributions of income however, Venezuela possess many favourable initial conditions and social capabilities (Abramowitz, 1986) for rapid catch-up (Di John, 2004). The study by Calderon and Servén (2010) has tried to highlight the infrastructure profile (telecommunication, land transport, sanitation and power) of the Latin American countries. They have applied the infrastructure augmented growth regression for a large time series of cross country data to show the impact of infrastructure on growth of the countries in the zone. The study has observed robust evidence that infrastructure development —measured by an increased volume of infrastructure stocks and an improved quality of infrastructure services— has a positive impact on long-run growth.

The study report of Rozenwurcel (2006) has tried to analyze critically the development strategy of the Latin American countries in the 20th century. According to the report the countries in the zone basically approached economic development following two successive and quite opposed strategies. The first one was import substitution Industrialization and the second was the so-called Washington Consensus approach. While the two views were founded on quite opposite premises, neither the import substitution industrialization nor the Washington Consensus managed to deliver sustained economic development to Latin American countries. The reason behind this, as the study pointed out, was the failure of the state in one hand and the other is the inability to achieve mature integration into the world economy. The observation of Das (2012) regarding the status of governance of Argentina and Brazil along with other selected countries in the world has shown that there are rising trends of overall governance indicators for Brazil and falling trend for Argentina, although the countries follow rising growth trends. At the same time the study also observed that there is no way causality between growth and governance for these two Latin countries.

All the above studies concentrated their attempt into the economies of Latin America in general without much focus on the Venezuelan economy in particular. There are a few observations on Venezuela that we are citing below.

The observation of Ratliff (2012) has shown the Venezuelan economic future under the Chavez regime. Being a smart owner of world's largest oil reserves the socialist president could not improve the economic position of the country. Although Chavez has won the elections but the crucial ground for such wins was the president's commitment and encouragement to the people with respect to the fact of treating each Venezuelan as his own soul and solidarity. There is another report recently which shows the reverse result of the above (Johnston and Kozameh, 2013). According to the study report the Venezuelan economy has performed well in the regime of Chavez in the front of growth rate of GDP and per capita GDP, inflation rate, unemployment rate, social sector development, education etc. Under the paucity of literature, the present study has tried to develop the literature further by framing the following objective.

3. Research and Method

3.1 Objective of the Study Data Analysis

The present study tries to establish the analysis specific to the state of Venezuela under the Chavez regime with comparison to the Latin heroes Brazil and Argentina with respect to economic and political factors. It tries to analyse critically whether the economy of Venezuela has improved under the Chavez regime or not? Do any political factors

have done the trick for Chavez to regain power? The entire study has been arranged by the following sections. Section 2 highlights the existing literature on this issue. Section 5 deals with the data source and methodology. Section 6 provides the analytical overview the Chavez's regime shift in terms of major economic indicators in Venezuela from earlier period. Section 7 presents the trends of economic factors graphically for three Latin countries including Brazil, Argentina and Venezuela. Section 8 covers some statistical analysis to establish the performance of the Chavez Presidency vis-à-vis other selected Latin countries and the last section concludes the study.

We have used the data on economic variables for the concerned countries published by the World Bank and for the funding of NGOs in different heads are borrowed from the Annual Reports of National Endowments for Democracy, Washington D. C. We have used mainly the basic statistics for the comparison among the countries along with a graphical approach. The Pearson correlation coefficient has been tested by the t statistics

$$t = r \sqrt{(n-2)/(1-r^2)}$$

for the Null Hypothesis: $\rho = 0$ against the Alternative Hypothesis: $\rho \neq 0$ for the d. f. $n - 2$.

3.2 Chavez Regime: Major Economic and Social Indicators

Major economic indicators generally provide the economic condition of a country. Here we review and analyze few major economic indicators such as per capita gross domestic product (PCGDP), capital formation, net foreign direct investment flow, life expectancy at birth in year etc. Per capita income (PCGDP) displays the economic performance of a country. Economic performance varies due to policy variation which depends on political economy of the country or regime of specific leaders. In this context we compare the economic performances of Venezuela during Chavez regime to pre-Chavez period.

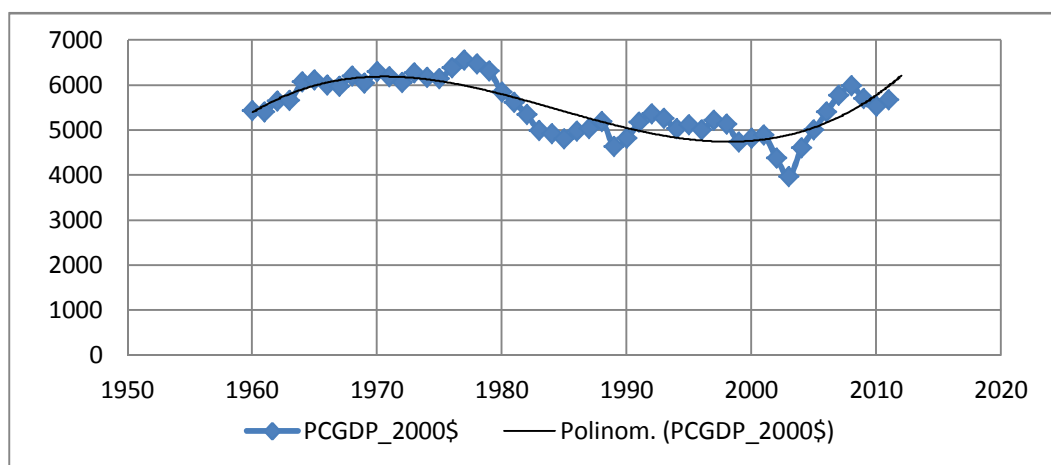


Figure 1: Trends of Venezuela's PCGDP during 1960-2011

Figure 1 shows the overall trend of per capita income (PCGDP) of Venezuela during 1960 – 2011. From fig 1, it is clearly observed that (i) income level rises during 1960-1980, (ii) declines in 1980-1990 and stable during 1990-2000 (iii) stiff inclines after 2000. Broadly we can divide whole period into three parts (a) 1960-1980, (b) 1980-2000 and (c) 2000- 2011. Last phase is the regime of Chavez where performance of Venezuela's economy. Last phase is the revival of Venezuela's economy from previous period (1980-2000). So, as per PCGDP, performance of Chavez is very good and people should expect more from him as a leader in near future also.

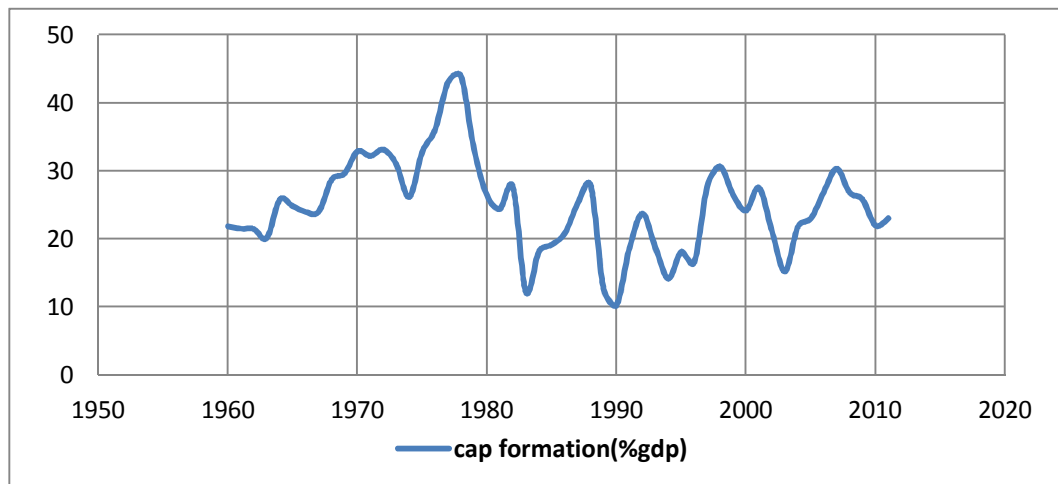


Figure 2: Capital Formation (%gdp) in Venezuela during 1960-2011

Figure 2 shows the fluctuation of capital formation (% of GDP) in Venezuela during 1960-2011. From fig 2, it is clear that on an average capital formation was 20% of GDP during 1980-1997 but is marginally increased by 2.5% during 1998-2011.

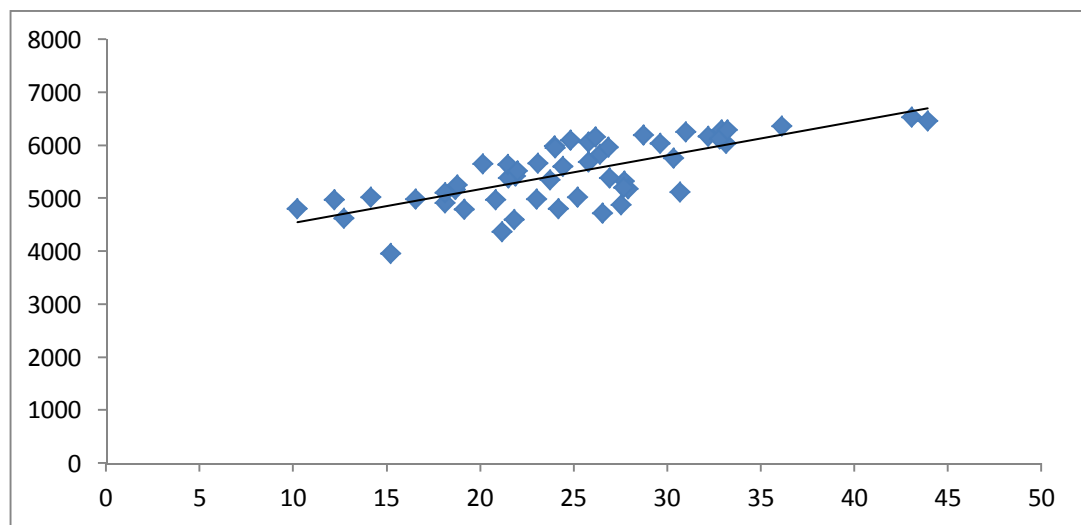


Figure 3: Relation between PCGDP & Cap formation (%gdp) during 1960-2011

Figure 3 provides the relationship between PCGDP and capital formation (% of GDP) for the whole period 1960-2011. The estimated relation is $PCGDP = 3899.6 + 63.812 \text{ Capital}$. It suggests that one percent increment in capital formation increases 63.8 dollar income per capita (at 2000 USD). Figure 4 shows that net FDI flow to Venezuela declines since 1998. FDI outflow dominates in the regime of Chavez. Income may not measure properly the quality of life. In this context, life expectancy at birth could be a good proxy of quality of life.

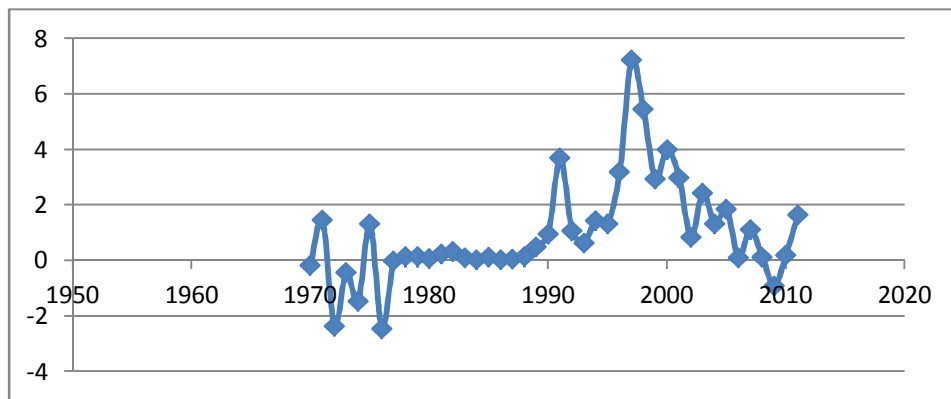


Figure 4: Net FDI (%gdp)

Figure 5 shows the trends of life expectancy at birth in year in Venezuela during 1960-2011. There is a continuous rising trend till 2000 but a drift is observed at 2003 and slow rising trends during 2003 -2011. It will be clear in Figure 6.

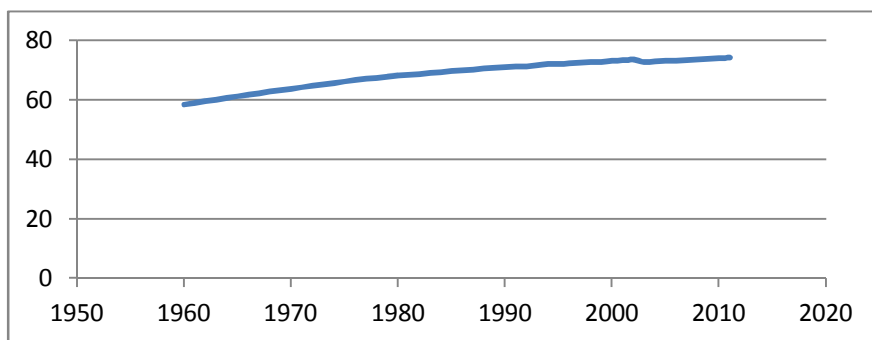


Figure 5: Life expectancy at birth, total (years)

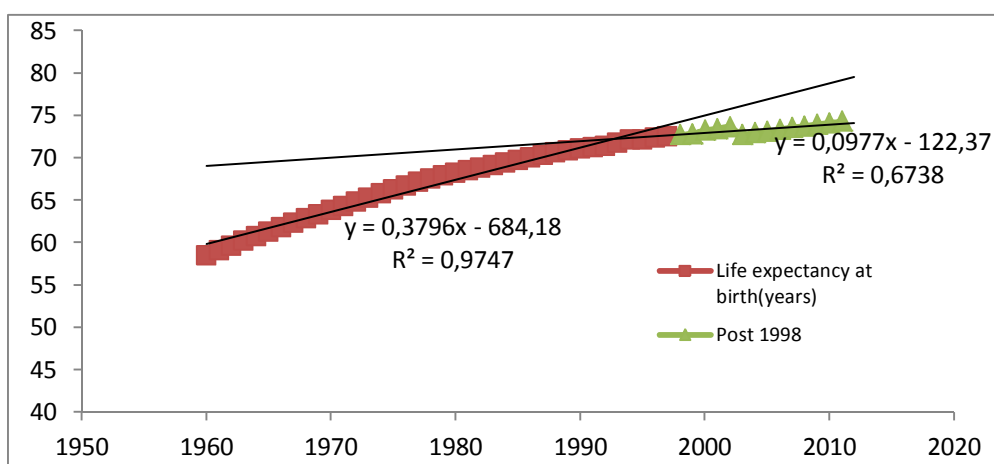


Figure 6: Life expectancy in Venezuela pre and post 1998

Life expectancy at birth was higher during 1960-1997 than that of during 1998-2011. Till before 1998, annual marginal improvement rate is 0.38 per year whereas it is 0.098 per annum in post 1998 period. It clearly suggests that the quality of life declines in the regime of Chavez. Slight regime shifts in quality of life in Venezuela in the early 21st century. Next we examine the economic and non-economic factors of governance during 1998 -2011.

3.3 Graphical Analysis for some Latin Countries

We are considering here the economic factors as growth rates, inflation rate, rate of unemployment, rate of interest and debt to GDP ratio and non economic factor governance. Beside we consider some political determinants like the grants supplied by the National Endowments for Democracy (NED) channel. Figure 7 to Figure 9 present the trends of economic factors of Brazil, Argentina and Venezuela and Figure 10 present the governance scenario of these countries but Figure 11 presents different types of funding of NED for Venezuela only.

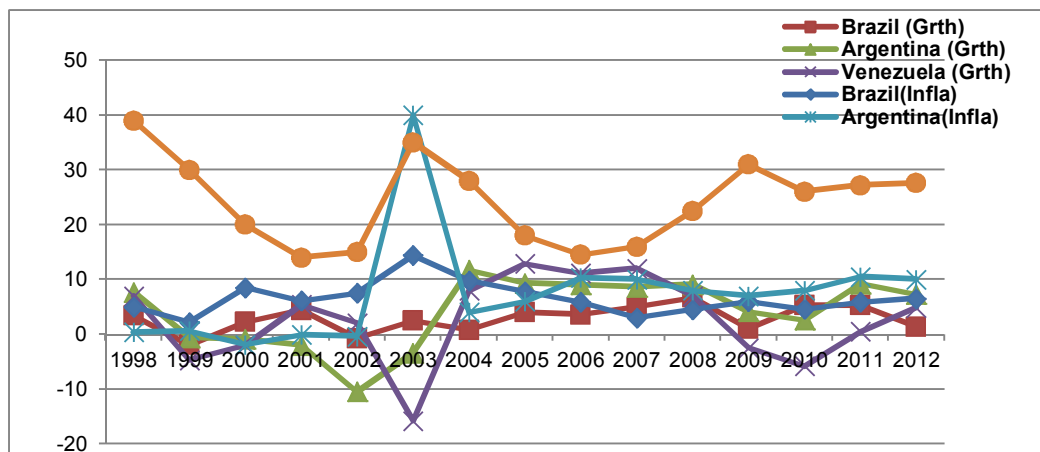


Figure 7: Growth and Inflation Trends of Countries

It is observed from the figures that all the three countries are displaying upward rising trends of growth rates but the rate of rise is higher for Argentina and low for Venezuela as in the first case the trend is steeper compared to the last one. The average values of the economic and non economic factors are presented in Table 1. We see there that the average growth rate of GDP for Argentine is 4.08, Brazil 2.86 but for Venezuela it is 2.67. With respect to inflation and interest rates Venezuela has surpassed the other two that is a bad indication to growth and disparity for the country.

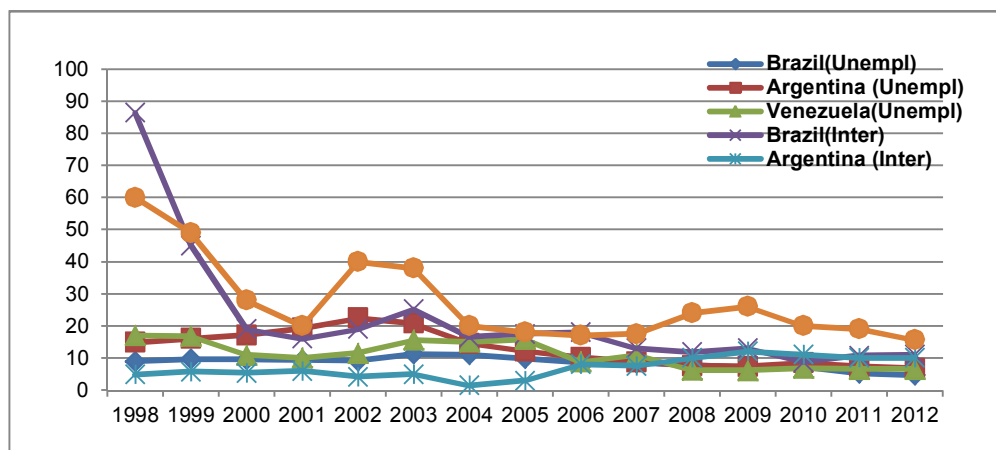


Figure 8: Unemployment and Interest Trends of Countries

Although the trends for these two factors are declining for Venezuela during the Chavez regime the average values are greater compared to the other two countries. The high inflation and interest rates for Venezuela have led to reduction of consumers' confidence upon the economy and the government. It is supported by the report of El Universal (2011) that the Consumer Confidence Index estimated by Venezuelan polling company Datanálisis, including data as of the end of June 2011, shows that, for now, most households are pessimistic about the economy, despite rising oil prices, the growth of liquidity and the increase of minimum wage.

According to the poll, only 29.8% of households are willing to buy durable goods such as furniture, electrical appliances, cars, or apartments. The unemployment position for Venezuela is better compared to Argentina but greater than Brazil. The government's participation into the economy can be measured by the debt to GDP ratio. A high debt ratio means the government is undertaking public projects. All the trends of debt ratio are falling but Brazil and Argentina are in upper position compared to Venezuela with respect to the average values. Around 72 per cent of GDP of Argentina is going in meeting debt whereas only 37 per cent is used for Venezuela.

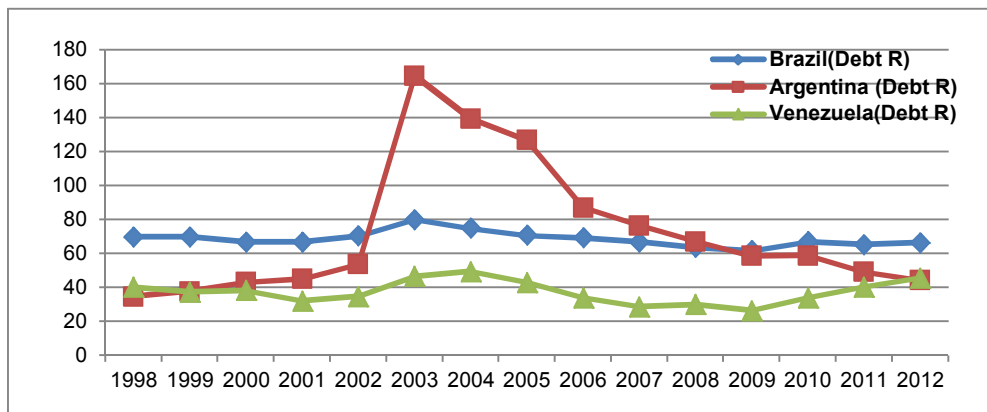


Figure 9: Trends of Debt to GDP Ratio of Countries

The important non economic factor 'governance' that can explain the political framework of a country is showing very poor value. We have averaged all six governance indicators as propounded by the World Bank to get the overall governance indicators. It shows that the status of governance in Venezuela is worse compared to the other two countries. Its average value of the governance indicators is -0.95 which is far below compared to Argentina (-0.22) and Brazil (0.01). Another important difference is that the trend for Venezuela is thoroughly falling without any signs of improvements. The Chavez regime has failed seriously in this area.

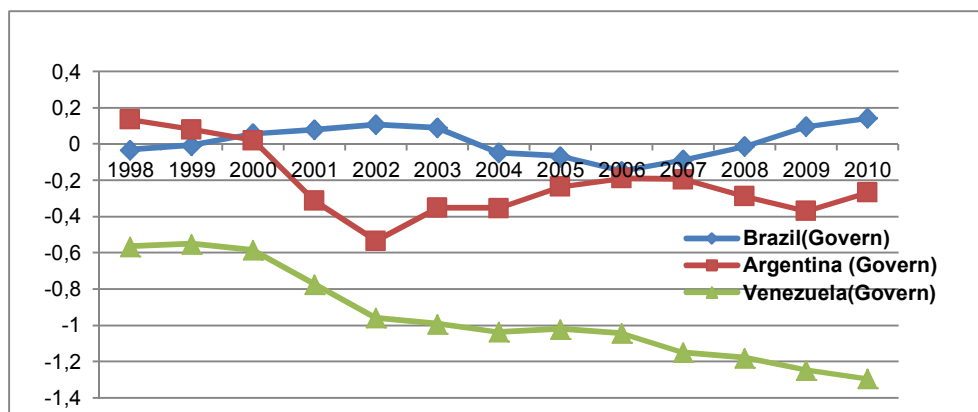


Figure 10: Trends of Overall Governance Indicators

Table 1: Average values of key indicators of countries

Country/Indicators	Growth	Inflation	Unemployment	Interest	Debt Ratio	Overall Governance
Brazil	2.86	6.54	8.48	22.06	68.48	0.01
Argentina	4.08	7.49	12.86	6.94	72.43	-0.22
Venezuela	2.67	24.25	10.96	27.47	37.21	-0.95

If we go through the individual governance indicators for Venezuela we find that all the six indicators are following downward trend over the regime of Chavez with PSNV and RL getting worse values (Table 2). The steepest degradation is observed in RQ. All the indicators bear the negative values implying bad governances in all fronts. The average value of RL during the Chavez regime is -1.25 and the worst figure is followed by PSNV with an average value -1.13. Although there has been political stability in the country with a single man government the country has been suffering violence in different fronts like the rising scale of homicides, antisocial activities associated to the oil sector, the continuous conflict between the USA sponsored NGOs with the government in anti Chavez activities etc. The inference from the profile of the governance indicators of Venezuela is that even with stable political system the country can still suffer from bad quality of governance in all fronts.

Table 2: Components of Governance Indicators for Venezuela

Year	VA	PSNV	GE	RQ	RL	CC
1998	-0.00033	-0.576	-0.81925	-0.212	-0.819974977	-0.956601
2002	-0.5595	-1.39	-1.00246	-0.601	-1.150967209	-1.041797
2006	-0.60783	-1.2	-0.9819	-1.13	-1.376062781	-0.959157
2010	-0.90528	-1.37	-1.01886	-1.58	-1.643011666	-1.240741
Average	-0.51	-1.13	-0.93	-0.934	-1.25	-0.94
Correl (Growth-Govern)	-0.16754	0.016614	-0.36604	-0.0685	-0.051986331	0.0349469

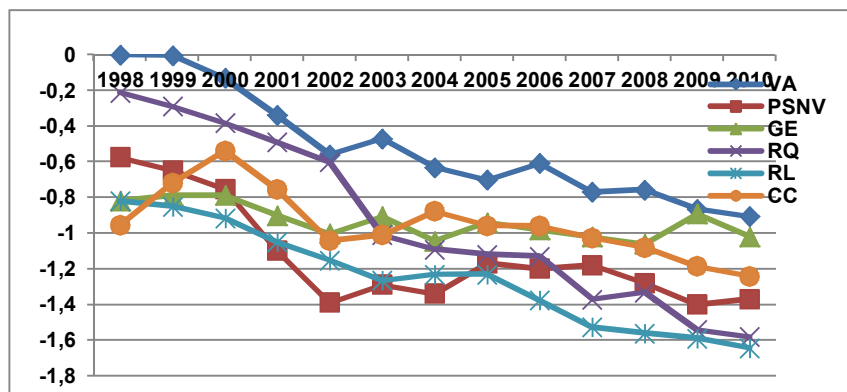


Figure 11: Governance Indicators of Venezuela over time

There is continuous allegation on the part of the ruling government that USA is uninterruptedly backing up the NGOs to do anti Chavez political institution in different ways. One such agency is the National Endowments for Democracy

(NED) which is funding different countries in the world to establish democratic rights, freedom, education, etc. types of activities. The notable among them relevant for Venezuela are *Civil Association for Citizen Freedom (CACFR)*, *Center for International Private Enterprise (CIPE)*, *Press and Society Institute – Venezuela (IPYS)*, *Accountability (ACC)*, *Civic Education (CVED)*, *Human Rights (HR)*, *Strengthening of NGO (NGO)*, *Political Processes (PLPR)*, *Freedom of Information (FRI)*, *International Republican Institute (IRI)*, *Democratic Ideas and Values (DIV)*, *Total NED(TNED)*. A profile of different heads of funding for Venezuela for the sample period 2007-2010 is presented in Table 3 and Figure 12.

Table 3: Different heads of NED funding (in US \$) for Venezuela

Year	CACFR	CIPE	IPYS	ACC	CVED	HR	NGO	PLPR	FRI	IRI	DIV	TNED
2007	37200		102856	35000	301514	95000	220735		45888	10000		848193
2008	44000	99925	90720	121278	357904	63775	123400	30000				931002
2009		310638	49975	82390	257530	91875				60000		852408
2010				118280	349932	75000	110780	36200	99397	706180	74234	1570003

Note: CACFR means *Civil Association for Citizen Freedom*, CIPE means *Center for International Private Enterprise*, IPYS means *Press and Society Institute – Venezuela*, ACC means *Accountability*, CVED means *Civic Education*, HR means *Human Rights*, NGO means *Strengthening of NGO*, PLPR means *Political Processes*, FRI means *Freedom of Information*, IRI means *International Republican Institute*, DIV means *Democratic Ideas and Values*, TNED means *Total NED*

Total NED (TNED) for 2010 is about double to that of 2007. Maximum grant has been allocated in Civic education (CVED) which is \$349932 in 2010 that is around 20 per cent of the total NED. The rates of increase in grant get steeper from the year 2009 in most of the cases. The grant in the head of international republican institute (IRI) has been highest in the year 2010 with a value of \$ 706180.

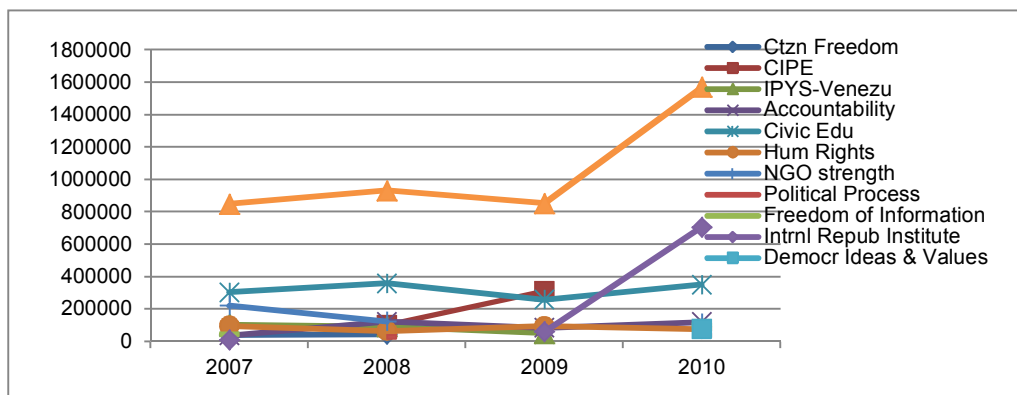


Figure 12: Different NED Grants for Venezuela

3.4. Statistical Analysis

Let us analyze what made Chavez winning for another term. Is there strong economic footings created by him or the people any way felt Chavez as better compared to Capriles politically in the future periods. The country with a population of below 30 million has largest natural oil reserves in Latin America, and probably in the world, which has comparative advantage in oil trading with the rest of the world. With rising price of the natural oil the economy should grow at a considerable rate compared to the other emerging countries in the continent like Brazil, Argentina where the population pressure is relatively high with comparatively less oil like precious wealth. These countries have the history of allowing international capital into their territories in the globalized era. The average growth rate of GDP of Venezuela for the period of Chavez 1998-2010 is 2.67% which is well below of 4.08% by Argentina and 3% of Brazil for the same period. The country faced an inflation rate of 23.76% on an average (with maximum of 39% in 1998 and

minimum of 14% in 2001) which is much higher compared to Argentina 7.5% and 6.5% of Brazil. That indicates that the people of Venezuela were forced to buy goods/services at a higher domestic price because of limited product variety in the era of closed economic structure. Investors in the country are highly prohibited in real investment planning as the interest rate is very high of 30% on an average which is much costlier compared to the neighbouring countries Brazil 22% and Argentina 7%. The young educated people of Venezuela are hard to find jobs that supports the average rate of unemployment at 12% which is an effect of governments deficiency in taking developmental projects, particularly in the infrastructure sector that is further supported by the evidence of public debt to GDP ratio at 36% which is much lower compared to the other two countries. After all the economic confidence index including both the consumers and business houses has shown that below 50% of total population say that they are confident about the economy to grow in the coming years. This scenario strongly supports that the economic indicators under the Chavez dynasty did not perform in a desirable manner. The school enrolment in Venezuela is far below the Latin America's average. About 28.5% of population is still below the poverty line having a socialistic government.

Table 4: Correlation Coefficients Matrix of Venezuela and Correlation Coefficients of Growth with Total NED of Argentina, Colombia and Peru

Factors	Growth	IPYS	ACC	CVED	HR	TNED(Ven)	TNED(Arg)	TNED(Col)	TNED(Per)
Growth		0.99	-0.58	0.05	0.14	-0.67	0.91	-0.34	0.45
IPYS			-0.27	0.68	-0.21	0.25			
ACC				0.62	-0.88	0.56			
CVED					-0.85	0.55			
HR						-0.39			
TNED									

Note: The large and small bold figures stand for significant results at 1 % and 10 % respectively.

Let us come to one of the important non-economic factors that is 'governance' to see how it worked in the socialistic nature of the economy. The world governance indicators estimated by the World Bank has shown that on an average for 1998-2010, the average estimated value of Voice & Accountability (VA) is -0.51 that of Political Stability and Non-violence (PSNV) -1.13, Government's Effectiveness (GE) -0.93, Regulatory Quality (RQ) -0.934, Rule of Law (RL) -1.25 and Control of Corruption (CC) -0.94 (the value closer to -2.5 and +2.5 represent worst and superior governance respectively). The results show that over the ruling period of Chavez the people were not satisfied by the quality of governance. The worst quality of governance is observed in PSNV and RL. Although there was political stability but presence of violence in the domestic periphery had become the greatest concern. The result of RL also shows the worst ruling of presidency. The democratic opponent tried to address all such failures in governance in the election campaign. There were so many instances of homicides, kidnapping, rising corruption and the anti people civil administration, specifically, the police administration that moved against the supporters of the opponent in a regimented way. There are no significant correlations between growth and all the governance indicators (Table 2).

Having failed in all aspects of economic acceptability and providing good governance, what factors did the trick for Chavez regaining dynasty. That is a crucial issue to be analyzed. The voters were expecting some assurances in different fields of internal security as well as protection by the state from aggression of the foreign countries like that of USA and its allies. USA was continuing funding to different NGOs of Venezuela indirectly to promote campaign against the Chavez government. Estimates show that about 40 Billion Dollar is supplied by USA annually for the purpose of anti-Chavez activities. The news of flooding in the country and the toll of around 50 had put pressure upon the government in the sense of failure of Chavez to rescue the affected people and providing them proper shelter. The banks and other financial institutions were not performing for the interest of the society. At the same time the democratic supporters were campaigning against Chavez for not disinvesting the oil companies for the private competitors to get oil at competitive prices.

In the campaign trail Chavez tried to assure that if he was remain in power then he would correct mistakes of the past to continue to build a socialistic alternative to the capitalistic model and to use the country's vast oil reserves and wealth to distribute among the members of the society. He started controlling the banking industries and termed it as public fund and ordered them to sanction credit to social needs on priority basis especially loans for the housing construction purpose. Such a confidence growing steps to work for the people and people's perceptions against the

USA led liberal economic structure could have helped Chavez remain in power for the next term. From the correlation matrix as depicted in Table 4 it is observed that only the grant in *Press and Society Institute – Venezuela* (IPYS) is positively and significantly correlated to the growth rate of Venezuela for a short period. But in aggregate term there is insignificant correlation between growth and NED grant. The figure is different for Argentina where growth rate and NED are positively and significantly correlated. In case of Colombia which is a northern state like Venezuela and Peru there are no such correlations. This shows the probable truth of the allegation by most of the Venezuelan against the anti Chavez campaign by USA through the NGO activities. This gives us the probable answer that the political will of the Venezuelans have gone in favouring Chavez to win because of the possible aggression by the USA if Capriles would come to power.

4. Conclusion

From the analysis of economic and political and social factors relevant for the Chavez regime it is now to conclude that the background behind the verdict was not the economic desirability because of poor economic indicators but the political sentiments of the Venezuelan against the USA's move and strategies against the country. People accepted Chavez because of his commitments for the future Venezuela in spite of poor governance. The USA backed NGO activities are proved wrong in influencing economic factors in favourable manner rather they are found to be uncorrelated with economic growth of the country. The huge funds are invested for other intentions. The people's attitude towards the market economy, if goes in favour of capitalism in future, and Chavez pre election commitments fail in reality besides USA's continuous effort to enter into Venezuela's internal affairs then we can again witness one another fall of socialism in the world politics and economics. This is a clear instance of dominance of political will over the economic desirability.

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